



Contact: Jay Sorensen
For inquiries: 414-961-1939
Jay @ IdeaworksCompany.com

US Airlines Will Generate Millions from Higher Baggage Fees

Despite consumer gripes, fee hikes still bring in more revenue.

December 20, 2009, Shorewood, Wisconsin - Baggage fees present a very strange alchemy for airlines. Higher baggage charges deliver more revenue – even when fewer passengers check bags as a result of the fee hikes.

No doubt recognizing this, the group of big-5 airlines (American, Continental, Delta, United, and US Airways) all boosted baggage fees during January 2010. IdeaWorks estimates these carriers will realize annual baggage fee revenue of \$1.76 billion. The “new money” portion of this amount for the group of big-5 carriers exceeds \$117 million.

Southwest Airlines, which has positioned itself above the fray by promising “bags fly free,” is a large and vocal holdout. The carrier’s current advertising campaign virtually assures it will remain on the sidelines for some time. But if Southwest achieved Delta’s per passenger result of \$7.32 from baggage fees, its 100 million annual passengers would contribute \$732 million to the bottom line.

The US airline industry is unlikely to stop this trend and more tweaking of the fee structure can be expected during 2010 and beyond.

US Airlines Will Generate Millions from Higher Baggage Fees was released today as a 7-page industry analysis. The full report is available at the IdeaWorks web site: www.IdeaworksCompany.com/news.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, creating partner-marketing strategies, cost reduction programs and business restructuring. Learn more at IdeaWorksCompany.com.

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